

**Remarks Prepared for Delivery  
By U.S. Assistant Secretary David Sampson  
National Governors Association**

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Good morning. Thank you Evelyn for your kind and gracious introduction. It is a genuine pleasure to be with you today to discuss how we can better link economic development and workforce development strategies and efforts into a seamless and complimentary system. The need for this linkage was great when we were enjoying a robust economy led by a strong technology sector and marked by historic low unemployment rates. But linking workforce development and economic development strategies is equally, if not more important in this time of economic recovery.

As former chair of the Texas State Workforce Board, a private sector member of a local workforce board, and economic development professional I believe that I have a unique understanding of the great need to integrate economic and workforce development efforts in order to maximize both sets of resources. I also have an appreciation of the potential and promise of the Workforce Investment Act and how far we have to go to achieve a truly integrated employer-driven system.

It is an honor to serve as President Bush's Assistant Secretary of Commerce for Economic Development. The Economic Development Administration (EDA) at Commerce is working hard to fulfill President Bush's agenda to leave no geographic area or demographic sector of our nation behind when it comes to achieving the American dream.

Our mission at Commerce's Economic Development Administration is to help our partners across the nation (states, regions, and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investments and high-skill/high-wage jobs through world-class capacity building, planning, infrastructure investments, research grants and strategic initiatives.

I am passionate about economic and workforce development. Economic development supports two important public policy objectives: creating wealth and

minimizing poverty. The creation of wealth enables people to be economically self-sufficient and provides the resources needed for building safe, healthy, convenient and attractive communities in which people want to live, work, and raise their families. Minimizing poverty is important because poverty is not only de-humanizing, it is extremely costly in terms of underutilized human resources, welfare transfer payments, soaring public healthcare costs, crime and declining neighborhoods that lose their value. Thus, the public sector has a legitimate interest in supporting efforts, and strategies to bring economic opportunity to all segments of our society.

President Bush has said, “Washington needs to be a results oriented world.” To that end, the nation’s economic development and workforce development programs need to be results oriented.

In order to produce results we must first clearly define what we mean by economic development and workforce development. Absent a clear definition and destination, talk about results is meaningless.

Economic development is the intentional process of finding, sustaining, and capitalizing upon locational advantage to create wealth and minimize poverty. When the private sector invests capital to produce goods and services and increase productivity, the demand for high-skill/high-wage jobs goes up as well.

Workforce development is the intentional process of strengthening the localized talent pool of workers to match private sector investments in technology, capital, and product improvement. The mission of workforce development initiatives is to connect job seekers with job providers; and to connect job seekers and job providers with education and training providers in order to continuously update the skill level of employees.

Understood in these terms, the nexus between economic development and workforce development becomes not only clear, but also inseparable.

The challenge we are faced with is how to create more career opportunities for workers of all skill levels and a ready pipeline of quality workers to meet employers’

immediate and long-term needs. From a public policy perspective, the stakes in education and workforce development for this country are high: “The illiterate of the 21<sup>st</sup> century will not be those who cannot read, but those who cannot learn.”

Contrary to what you might think, the current economic slowdown has not mitigated the need for high-skilled workers. Last week, the National Association of Manufacturers released the results of a survey, which states that 80% of manufacturers report a moderate to severe shortage of qualified job candidates.

While the National Association of Manufacturers expect the sector to bounce back next year, the ongoing inability of manufacturers to find enough skilled workers could constrain the recovery. Recovery depends on productivity, and productivity depends on skills, which are clearly lacking in some fundamental areas. NAM President Jerry Jasinowski said “Everyone needs to wake up and face the fact that the skills shortage identified in our survey are serious and could get worse as the decade progresses and demographics and other forces begin to take hold. We could be facing a shortage of up to 12 million skilled workers by 2020.”

The economy of the 21<sup>st</sup> century is driving the need for more academically rigorous, flexible, and nimble education and workforce development systems. The economy of the 21<sup>st</sup> century is based on high productivity, rapid technological change, deregulation and market liberalization, the global marketplace and the mobility of capital and labor.

The “skill-based” technology revolution has dramatically increased the value of skill and knowledge in the economy since 1983. Today, high-skill jobs pay 80% more than non-skilled jobs.

Thus, the basic equation in today’s economy is:

**“KNOWLEDGE EQUALS VALUE AND WEALTH.”**

Knowledge and skills will have increasing value in the 21<sup>st</sup> century; thus we need to develop strategies to expand access to knowledge in ways that are faster, better, cheaper, and that are continuing in nature.

The critical component to build this kind of workforce development systems is quite simply...**LEADERSHIP**. The role of a leader is to:

- \_ Define Reality: and,
- \_ Provide Hope

Is there a place for leadership in a system governed by law and regulations? I believe the answer is **yes**. The key objective of leadership is to move from a culture of compliance to a culture of performance.

In order to do this we must first understand and fulfill the purpose of leadership and so this morning I first want to define the reality facing the national workforce and economic development systems as I see it, and then second provide my vision of a hopeful path to move forward.

### **WHAT IS AT STAKE?**

In defining our reality the most important question to ask is “What is at stake?”

### **NATIONAL SECURITY AND GLOBAL ECONOMIC COMPETITIVENESS**

What is at stake today is nothing less than our national security and global economic competitiveness.

At the start of the 20<sup>th</sup> century the United States was one of only a half a dozen countries in the world that were “industrialized.” When many other nations in that group saw their industrial base reduced through two World Wars, the United States found itself in a position of economic advantage which allowed it to grow, to provide its population with the world’s highest standard of living, and later, to prevail on the world stage over its main

political and economic rival. Towards the end of the 20<sup>th</sup> century a decade of relative post-cold war stability and investments in new technologies allowed further improvements in U.S. trade, productivity, federal budgets, personal income, and social conditions.

By the end of the 20<sup>th</sup> century, the United States had a population of over 281 million, including a workforce of over 135 million people who generated the largest gross national product of any nation in the world at \$10 trillion dollars.

Conditions at the start of the 21<sup>st</sup> century signal that such economic benefits cannot be taken for granted when the underlying grounds for competitive advantage themselves shift. The Cold War Era of military competition against Communism has been replaced in the new century by economic competition against low-wage, rapidly industrializing countries. In a world of falling real transportation costs and increasingly free trade, upgrading skills of the US workforce will be the key to the productivity gains necessary to enhance living standards in the new millennium.

The competitiveness of US companies and the standard of living of US workers can only be maintained if the productivity levels of US industries and their workforces are higher than any competitors producing the same kinds of goods, or if US companies can produce the kinds of technologically sophisticated goods and services that the rest of the world cannot. Only if these conditions are fulfilled will US employers continue to be profitable and be able to pay more per hour to their employees in the face of the new global competition. Only if technological advances are implemented in the work place will this productivity increase occur and be maintained, and only if the workforce is skilled enough to take advantage will the new technologies be effectively used.

These challenges can only be met if the United States plays to its traditional strengths such as its world leading R&D base in its research universities and federal labs, its entrepreneurial spirit and supplies of venture capital, its appetite for adopting innovations, its speed-to-mass-market performance by companies, and its preference for market-based solutions within the context of its dynamic enterprise economy. Over the last decade however, there has quietly emerged a significant barrier to deploying these much-needed

strengths in response to global competition at the required level: The availability of enough employees with the right skills to get the job done.

Unless the “skills gap” within the US is closed and employers can find the workers they need, and job seekers have the skills to pursue the opportunities that will exist, then America’s economy will remain extremely vulnerable.

The growing international trend towards democracy and market economies will only be positive for the United States if our job structure in the new economy matches our workers’ skill set. There is a growing gap between the knowledge-based technology intensive jobs that are driving the US economy and the skills of American workers. As long as the gap exists there is the threat of more economic activity moving off-shore. It is no wonder then that late last year, prior to the events of September 11<sup>th</sup>, national security advisor Condoleza Rice had said, “Education is the top national security issue of the 21<sup>st</sup> century.” While the events of September 11<sup>th</sup> may have reordered some national security priorities in the immediate term, in terms of our long-term national security and prosperity, education remains at the top.

Lack of appropriate skills in the workforce has implications not only for the nation’s global competitiveness but also for the living standards of employees themselves. In the 21<sup>st</sup> century economy, the basic equation of workforce development is that knowledge equals value/wealth. The significance of this “learn-earn equation” in the 21<sup>st</sup> century economy is clear: Earnings are much higher with education and much lower without it. Better than average education or training – that is some having a qualification at the post-secondary level – is necessary to obtain higher than average earnings.

The competitive situation of individuals then has implications for society as a whole. Without the upward mobility afforded by skills upgrading, there is danger of a further widening of the income and skills gap, and an increasing number of those “left behind,” those “unattached” to the mainstream labor market and those lacking tools for, or hope of, improvement through participation in the 21<sup>st</sup> century economy. Such a situation could lead to increased social instability, a growing lack of faith in the free enterprise system, and tremendous unnecessary spending on remedial activities. If we do not succeed with

education and training, and setting citizens on an upward trajectory from the very beginning, then we pay for it multiple times over through increased opportunity costs, spending on remedial education, welfare and the justice and incarceration systems.

Livable communities with a high quality of life require a foundation of economic prosperity because it is profitable businesses and well-paid employees that contribute the tax revenues necessary for support of a wide range of public goods and services. Everyone in the community thus has a real interest in continued growth and economic development. Unfortunately various trends now suggest that there is likely to be a gap in the future between the demand for public services and our ability to fund and maintain them.

Growing our way out of such a situation through economic expansion requires any bottlenecks to such growth to be overcome and for the critical supporting infrastructure to be in place. One of the key bottle-necks to economic expansion is the shortage of labor with the right skills, attitudes and work habits in the right place, at the right time, along with the connection to an educational pipeline system of career development that will ensure employers also have a future supply of skilled labor.

As long as the United States is the world's sole remaining Super Power, living standards are high, trade balances are favorable, it is tempting to take economic prosperity for granted. Many over the last several years have made that mistake. I would argue that the nation should, with renewed urgency, develop closer linkages between the workforce development and economic development systems while at the same time significantly upgrading and streamlining the workforce development system.

It has been said that the 21<sup>st</sup> century economy offers a choice between “working smart” or “working cheap.” I would argue that this is not a choice. If the United States does not make a conscious decision to “work smart” in terms of having a world-class workforce development system to close the skills gap and facilitate life-long learning for the workforce – it will wind up working cheap.

I believe that our nation has appropriated the necessary means to build that kind of system. Our attention now must turn to re-establishing the strategic context and focus of that system for the 21<sup>st</sup> century economy as well as streamlining the delivery system to make it responsive to employer-customers, job seeking-customers and other stakeholders.

## **PROVIDING HOPE**

The second role of leadership is to provide hope and I am very hopeful about the linkage of America's workforce and economic development systems because the Bush Administration believes economic and workforce development is important to the nation's future. We have a bright future if we can develop a well thought out strategy to transform our workforce and economic development systems into an integrated culture of performance and entrepreneurship.

## **THE ECONOMIC DEVELOPMENT AND WORKFORCE SYSTEMS OF THE FUTURE**

The rate of change in both the business world and the federal government is not going to slow down anytime soon. If anything, competition in both sectors will probably speed up over the next decade. Organizations everywhere will be presented with even more hazards and opportunities driven by the globalization of the economy, public policy priorities, a war environment, technology and social trends.

The typical 20<sup>th</sup> century organization has not operated well in a rapidly changing environment. Structures, systems, practices and culture have often been more of a drag on change rather than a facilitator of change. If environmental volatility continues to increase, as most people now predict, the typical organization of the 21<sup>st</sup> century will likely become a dinosaur in the 21<sup>st</sup> century.

So what will a winning economic and workforce development system of the 21<sup>st</sup> century look like? John Kotter of the Harvard Business School has described the central characteristics of winning 21<sup>st</sup> century organizations.



### ***Persistent Sense of Urgency***

Major change is never successful unless the complacency level is low. A high urgency rate helps enormously in completing all the stages of a transformation process. If the rate of external change continues to climb, then the urgency rate of the winning 21<sup>st</sup> workforce development system will have to be medium to high all the time. The 20<sup>th</sup> century model of lengthy periods of calm or complacency being punctuated by shorter periods of hectic activity will not work.

A higher rate of urgency does not imply ever-present panic, anxiety or fear. It means a state in which complacency is virtually absent, in which people are always looking for problems and opportunities, and in which the norm is “do it now.”

Organizational cultures in the 21<sup>st</sup> century will have to value candid discussions far more than they do today.

### ***Teamwork At the Top***

In an environment of constant change, individuals, even if supremely talented, will not have enough time or expertise to absorb rapidly shifting competitor, customer and technological information. Strong leadership teams with balanced and complimentary talent will be essential.

### ***People Who Can Create and Communicate Vision***

Successful organizations in the 21<sup>st</sup> century will have to become more like incubators of leadership. Wasting talent will become increasingly costly in a world of rapid change.

### ***Broad Based Empowerment***

The hearts and minds of all members of the workforce development system are needed to cope with the fast shifting realities of the 21<sup>st</sup> century. This will require flatter hierarchies, less bureaucracy, and a greater willingness to take risk. In addition, constant empowerment for a constantly changing world works best in organizations in which senior managers focus on leadership and in which they delegate most managerial responsibilities to a lower level.

### ***No Un-necessary Inter-Dependence***

The 21<sup>st</sup> century organization will probably be a lot cleaner than the one we typically see today. Fewer structural cobwebs and less procedural dust will make services slicker and faster. Furthermore, the process of continual cleaning will certainly be encouraged in a faster moving environment.

From a private sector representative perspective both at the local and state board level, I would suggest that our nation's workforce development system needs to undergo a good spring cleaning to rid it of structural cobwebs and procedural dust.

Now is the time for strong leadership internationally, nationally, and within the workforce and economic development community. The stakes are high: freedom of trade and commerce; personal and political liberty; and national and individual security. Your leadership, in your communities, on your state and local workforce development boards is as important to the strength of our nation and its citizens as is the leadership in Washington.

As one person has said "In communities where men build ships for their own sons to fish or fight from, quality is never a problem." Ladies and gentlemen, as leaders of America's workforce development system you are building the ships from which your sons and daughters will fish or fight from. Therefore, quality is not optional.

Thank you very much.

